

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2022-__-E

In re:)	
)	
Application of Duke Energy Carolinas, LLC)	APPLICATION OF DUKE ENERGY
for Approval of Residential New)	CAROLINAS, LLC FOR APPROVAL OF
Construction Program)	RESIDENTIAL NEW CONSTRUCTION
)	PROGRAM

Pursuant to S.C. Code Ann. § 58-37-20, S.C. Code Ann. Regs. 103-823, and Order No. 2021-32 issued in Docket No. 2013-298-E, Duke Energy Carolinas, LLC (“DEC” or the “Company”) submits to the Public Service Commission of South Carolina (the “Commission”) this Application for approval of its Residential New Construction Program (the “Program”) to be included as part of its suite of energy efficiency (“EE”) and demand-side management (“DSM”) programs effective as soon as practicable following Commission approval. This Program will provide incentives to residential builders to encourage the use of energy efficient building practices, equipment, and appliances for new home construction.

The proposed tariff for the Program is attached hereto as Exhibit A, and a proposed notice of the Application is attached hereto as Exhibit B. As explained below, the Company seeks approval of the Tariff without the need for a hearing because, consistent with S.C. Code Ann. § 58-27-870(F), the proposed Program does not require a determination of the entire rate structure and overall rate of return. If the Commission decides a hearing is necessary in this matter in lieu of filed comments, the Company respectfully requests that the Commission appoint a Hearing Officer to hold a scheduling conference with counsel.

In support of this Application, the Company shows the Commission the following:

I. NAME AND ADDRESS

The Company's general office is located at 526 S. Church Street, Charlotte, North Carolina 28202. DEC's legal name and mailing address are:

Duke Energy Carolinas, LLC
526 S. Church Street
Charlotte, North Carolina 28202-1802

II. NOTICES AND COMMUNICATION

The names and addresses of the attorneys of the Company who are authorized to receive notices and communications with respect to this Application are:

Sam Wellborn
Associate General Counsel
Duke Energy Corporation
1201 Main Street, Suite 1180
Columbia, South Carolina 29201
803.988.7130
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and

J. Ashley Cooper
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Charleston, SC 29401
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ashleycooper@parkerpoe.com

Copies of all pleadings, orders or correspondence in this proceeding should be served upon the attorneys listed above.

III. DESCRIPTION OF THE COMPANY

DEC is engaged in the generation, transmission, distribution, and sale of electric energy at retail in the western portion of South Carolina and the central and western portions of North Carolina. DEC also sells electricity at wholesale to municipal, cooperative, and investor-owned

electric utilities, and its wholesale sales are subject to the jurisdiction of the Federal Energy Regulatory Commission. DEC is a public utility under the laws of South Carolina and is subject to the jurisdiction of this Commission with respect to its operations in this State. DEC is also authorized to transact business in the State of North Carolina and is a public utility under the laws of that state. Accordingly, its operations in North Carolina are subject to the jurisdiction of the North Carolina Utilities Commission. Because energy efficiency programs deliver system benefits realized across state borders, program costs—including consolidated administrative costs—are also recognized across both states.

IV. BACKGROUND

The Program proposed in this docket is similar to the Commission-approved Residential New Construction Program that has been part of Duke Energy Progress, LLC's ("DEP") suite of EE/DSM programs since 2012. The Commission approved the DEP Residential New Construction Program in Docket No. 2012-234-E on August 31, 2012, and has modified it through subsequent orders. DEP filed a learnings report with the Commission on February 1, 2016 detailing the lessons learned from its Residential New Construction Program. The learnings report found "significant evidence that DEP's program activities have positively influenced the building practices used by both participating program builders and non-participating builders." (See Docket No. 2012-234-E, Duke Energy Progress, LLC's EM&V Report for the Residential New Construction Program at Page ii). On average, the DEP program resulted in a net realization rate for energy savings of 193% for Program Year 2013 and 104% for Program Year 2014. (See Docket No. 2012-234-E, Duke Energy Progress, LLC's EM&V Report for the Residential New Construction Program at Page 13). Based on the positive findings of DEP's implementation of this program and the lessons

learned, DEC believes this Program can also be successful in DEC's territory. As explained more fully below, DEC respectfully requests Commission approval of the Program.

V. PROGRAM DESCRIPTION

As stated above, the purpose of the Program is to provide incentives to residential builders to encourage the use of energy efficient building practices, equipment, and appliances for new home construction. The Program will be available to builders of single and multi-family residential dwellings (three stories or less) that meet or exceed the current High Energy Residential Option ("HERO") standards and are served by DEC on a residential retail rate schedule. Dwellings that do not meet the HERO standard are not eligible for whole-house incentives.

Just as with the currently-approved DEP program, the Program is also available on a case-by-case basis to builders installing high efficiency equipment (such as high efficiency electric HVAC equipment or other high efficiency equipment and/or services as determined by the Company) that meet or exceed the HERO or HERO-Plus standards.¹

The maximum incentive for meeting the HERO standard is \$650, and the maximum incentive for meeting the HERO-Plus standard is up to \$0.75/kWh saved. If qualifying high efficiency equipment is installed, the maximum incentive available is \$300. Incentive payments for whole house measures will be made for dwellings achieving annual energy savings of 275 kWh or more.

To qualify for the Program, the residential builder or its designated representative must complete and submit an application. The application must include supporting documentation such as: purchasing and contractor servicing invoices, HERO compliance verifications, or a qualifying

¹ Applications that seek to achieve the HERO-Plus incentive level must submit a qualifying Home Summary Report, as described below.

Home Summary Report.² In addition, the homeowner must agree to exercise prudent energy management over the home.³ For each qualifying home built by an approved Program participant, the Guarantee will start on the first day of the second calendar month after the date of sales closing or lease signing.

Builders or designated representatives may receive incentives for either the construction standards or the equipment installation, but not both. These incentives will offset a portion of the incremental cost to upgrade to the higher standards, allowing builders to offer more efficient, sustainable homes to residential customers in the DEC service territory. Although the Program is intended to motivate builders to build more efficient homes, it is not intended to affect builders' decisions to install or adopt one type of fuel source over another.

Additionally, certain incentives may also be offered to qualifying homeowners in addition to the incentives provided to residential builders. For example, qualified residential builders may—at the builder's discretion—offer the homeowner a Heating and Cooling Limited Usage Guarantee similar to the one utilized by DEP's program, which is attached hereto as Exhibit C (the "Guarantee"). The Guarantee relates to the total annual electric HVAC energy consumption of the dwelling and will be applicable solely to the initial homeowner. The Guarantee will apply for no longer than three years from registration and the Guarantee incentives are only available at the end of each full year of electric service. The corresponding incentive payment will be based on any annual electric heating and cooling energy consumption that exceeds the estimated consumption based on the HERO standard used in constructing the dwelling. The Company will make an

² The report must be issued by a Company-approved energy software modeling assessment performed by a qualified Home Energy Rating System ("HERS") rater recognized by the Residential Energy Services Network ("RESNET") or any other Company-approved Energy Services Network.

³ The Guarantee describes "prudent energy management" in greater detail.

incentive payment to the homeowner after review of the homeowner's claims for payments, including a review of prudent energy management practices as described in the Guarantee.

VI. COST EFFECTIVENESS

The Company has modeled the Program's cost effectiveness, and the Utility Cost Test score is 1.83. As required by the EE/DSM Mechanism, the Program exceeds the required 1.0 UCT score necessary, indicating that the benefits to the utility system exceed the costs.

Over five years, the Program is expected to produce the cost effectiveness scores provided in the following table:

<u>Cost Effectiveness Test</u>	<u>Anticipated Cost Effectiveness Results</u>
Utility Cost Test (UCT)	1.83
Total Resource Cost Test (TRC)	1.31
Rate Impact Measure Test (RIM)	0.77
Participant Test	2.14

VII. COST RECOVERY AND REVIEW

S.C. Code Ann. § 58-37-20 authorizes the establishment of the EE/DSM Mechanism recently adopted by the Commission through Order No. 2021-32 issued in Docket No. 2013-298-E. DEC is requesting the recovery of applicable Program costs, net lost revenues, and utility incentives through its annual DSM/EE Mechanism.

Section A of the Company's EE/DSM Mechanism, appended to Order No. 2021-32 as part of Order Exhibit No. 1, requires that the Company "perform a qualitative measure screening to ensure Measures are (a) commercially available and sufficiently mature, (b) applicable to the DEC service area demographics and climate, and (c) feasible for a utility DSM/EE Program." The offerings in the proposed Program are commercially available and sufficiently mature, will be applicable to the Company's service area demographics and climate, and are feasible for an

EE/DSM program. Consistent with the EE/DSM Mechanism, the Program was introduced to, discussed with, and garnered support from stakeholders in the EE/DSM Collaborative.

The projected savings will be confirmed in evaluation, measurement, and verification (“EM&V”) by a third party, consistent with the guidelines outlined in the EE/DSM Mechanism,⁴ once adequate participation allows for a statistically valid sample. EM&V studies will use industry-accepted methods to collect and analyze data; measure and analyze Program participation; and evaluate, measure, verify, and validate the energy and peak demand savings. In light of the customer and system benefits of the Program, and its accord with the Commission-approved EE/DSM Mechanism, the Company requests Commission approval of the Program and proposes to recover all costs incurred by the Company associated with the Program through the Company’s EE/DSM rider in accordance with the EE/DSM Mechanism.

The Company seeks Commission approval of the Program without the need for pre-filed testimony or a hearing. Consistent with S.C. Code Ann. § 58-27-870(F), the proposed Program and associated tariff do not require a determination of the entire rate structure and overall rate of return.

WHEREFORE, Duke Energy Carolinas, LLC respectfully requests that, pursuant to this Application and the provisions of S.C. Code Ann. § 58-37-20, S.C. Code Ann. Regs. 103-823, and Order No. 2021-32, the Commission:

(1) Consistent with S.C. Code Ann. § 58-27-870(F), approve the Program as proposed herein without the need for pre-filed testimony or a hearing because the proposed Program and associated tariff do not require a determination of the entire rate structure and overall rate of return;

⁴ See Order No. 2021-32, Docket No. 2013-298-E (Jan. 15, 2021).

(2) Grant the Company's request to recover all reasonable and prudently incurred costs associated with the Program pursuant to the EE/DSM Mechanism through the annual EE/DSM rider proceedings; and

(3) Provide any other relief deemed just and reasonable by the Commission.

Respectfully submitted this 27th day of May, 2022.

s/J. Ashley Cooper

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